Group profit and loss account

for the year ended 31st March 1983

	Notes	1983 £m	1982 £m
Turnover	2	1670·0	1487·4
Cost of sales		(1063·0)	(947·8)
Gross profit		807·0	539·6
Selling, distribution and branch costs		(428·7)	(383·3)
Research and development costs		(16·4)	(14·6)
Administrative expenses		(47·4)	(41·3)
Surplus on disposal of retail properties		14·5	9·2
Other operating income—royalties		8·8	7·0
Share of profit of related companies		3·5	2·6
Trading profit		141·3	119·2
Interest receivable	3	3·7	3·8
Interest payable	4	(4·9)	(2·8)
Profit on ordinary activities before taxation		140·1	120·2
Taxation on profit on ordinary activities	5	(46·9)	(30·9)
Profit on ordinary activities after taxation		93·2	89·3
Attributable to minority interests		(·7)	(·5)
		92·5	88·8
Extraordinary loss net of taxation benefit	6	(3·2)	(2·6)
Profit for the financial year attributable to shareholders	7	89·3	86·2
Dividends	8	(34·5)	(30·8)
Profit retained		54·8	55·4
Earnings per share before taxation	9	38·2p	32·8p
Earnings per share after taxation	9	25·5p	24·5p

1982 comparative figures have been adjusted to eliminate gains and losses arising from the translation of overseas net current assets which are now dealt with through reserves.

Balance sheets

31st March 1983

	Notes	Group 1983 £m	Group 1982 £m	Parent 1983 £m	Parent 1982 £m
Fixed assets					
Tangible assets	10	**431·9**	397·6	**119·2**	99·0
Investments	11	**49·3**	53·0	**131·4**	113·8
		481·2	450·6	**250·6**	212·8
Current assets					
Stocks	12	**307·8**	310·3	**123·8**	134·0
Debtors	13	**107·5**	99·2	**297·1**	300·9
Investments	14	**46·5**	9·9	**25·6**	·5
Cash at bank and in hand		**4·7**	3·5	**·3**	·5
		466·5	422·9	**446·8**	435·9
Creditors: amounts falling due within one year	15	**(288·1)**	(272·3)	**(237·6)**	(228·7)
Net current assets		**168·4**	150·6	**209·2**	207·2
Total assets less current liabilities		**649·6**	601·2	**458·8**	420·0
Creditors: amounts falling due after more than one year	16	**(11·8)**	(13·2)	**(22·3)**	(10·2)
Net assets		**638·0**	588·0	**437·5**	409·8
Capital and reserves					
Called up share capital	17	**90·8**	90·7	**90·8**	90·7
Share premium account	18	**11·3**	10·5	**11·3**	10·5
Revaluation reserve	18	**8·8**	10·4	—	—
Profit and loss account	18	**523·5**	474·5	**335·4**	308·6
		635·5	586·1	**437·5**	409·8
Minority interests		**2·5**	1·9	—	—
		638·0	588·0	**437·5**	409·8

P. T. MAIN
P. H. COURTNEY | Directors

Approved by the board
25th May 1983

Source and application of funds

for the year ended 31st March 1983

	1983 £m	1983 £m	1982 £m	1982 £m
Source				
Group trading:				
Profit on ordinary activities before taxation		140·1		120·2
Share of profit of related companies		(3·5)		(2·6)
		136·6		117·6
Distributions from related companies		·3		·3
Depreciation less net surplus on disposal of tangible fixed assets		13·6		15·2
Proceeds on disposal of tangible fixed assets		19·6		12·9
Extraordinary loss		(4·5)		(1·0)
		165·6		145·0
Issue of ordinary shares		·9		1·0
		166·5		146·0
Application				
Capital expenditure		58·0		82·9
Investments:				
Related companies	·1		·3	
Subsidiaries	17·4		1·9	
		17·5		2·2
Working capital:				
(Decrease)/increase in stocks	(13·2)		20·7	
(Decrease)/increase in debtors	(·4)		10·6	
Increase in creditors falling due within one year	(18·9)		(2·9)	
		(32·5)		28·4
(Increase)/decrease in creditors falling due after more than one year		(·4)		·7
Repayment of debenture loans		5·6		—
Dividends paid		33·1		27·2
Taxation paid		40·1		44·6
Other items		·9		(1·0)
		122·3		185·0
Increase/(decrease) in net cash resources:				
Listed investments		—		(10·0)
Short term deposits		33·8		(16·0)
Cash at bank and in hand		·3		(2·2)
Bank loans and overdrafts		10·1		(10·8)
		44·2		(39·0)

Investment in new subsidiaries comprises tangible fixed assets £7·1m, goodwill £15·2m and net working capital £3·2m, less transfer from related company £8·1m.

Exchange differences on translation of overseas opening net current assets have been excluded from applications as they do not represent movements of funds.

Current cost statements

31st March 1983

	Notes	1983 £m	1983 £m	1982 £m	1982 £m
Group profit and loss account					
Turnover			1670·0		1487·4
Trading profit on historical cost basis			141·3		119·2
Current cost adjustments:					
Depreciation and net surplus on disposal of fixed assets		(32·9)		(31·1)	
Cost of sales		(12·4)		(14·2)	
Monetary working capital		5·8		10·0	
Related companies		(3·7)		(3·9)	
			(43·2)		(39·2)
Trading profit			98·1		80·0
Gearing adjustment			1·2		·7
Interest receivable			3·7		3·8
Interest payable			(4·9)		(2·8)
Profit on ordinary activities before taxation			98·1		81·7
Taxation on profit on ordinary activities			(46·9)		(30·9)
			51·2		50·8
Attributable to minority interests		(·4)		(·5)	
Extraordinary loss net of taxation benefit		(5·6)		(2·6)	
			(6·0)		(3·1)
Profit for the financial year attributable to shareholders			45·2		47·7
Dividends			(34·5)		(30·8)
Profit retained, dealt with in general reserve			10·7		16·9
Earnings per share before taxation			26·7p		22·3p
Earnings per share after taxation			14·0p		13·9p

	Notes	1983 £m	1982 £m
Group balance sheet			
Capital and reserves:			
Called up share capital		90·8	90·7
Current cost reserve	2	583·5	580·4
General reserve		381·9	377·2
		1056·2	1048·3
Minority interests		3·2	2·4
		1059·4	1050·7
Fixed assets			
Tangible assets	3	832·6	841·4
Investments		68·1	68·9
Stocks		309·7	313·3
Monetary working capital		(98·6)	(123·1)
Other net current liabilities		(40·8)	(36·6)
Creditors: amounts falling due after more than one year		(11·6)	(13·2)
		1059·4	1050·7

Contents

Annual general meeting

Notice of the annual general meeting of The Boots Company PLC is separately enclosed with this Report and Accounts.

Financial calendar

Dividend and interest payments

Ordinary dividends
Final 1982/83:
Announced 26th May 1983.
Payable 21st July 1983.

Interim 1983/84:
Announced 24th November 1983.
Payable 11th January 1984.

Final 1983/84:
Proposed mid-May 1984.
Payable mid-July 1984.

7¾% loan stock interest:
Paid 30th September and 31st March.

6¾% bond interest:
Paid 1st August.

Results

For half-year:
Announced 24th November 1983.

For the year:
Announced mid-May 1984.

Report and accounts:
Circulated mid-June 1984.

For capital gains tax purposes the market value of a Boots share on 6th April 1965 was 40p and £100 of 6% loan stock repaid on 30th March 1983 was valued at 6th April 1965 at £90·37½.

Board of directors

Chairman	P. T. Main, E.R.D., M.D., F.R.C.P. Ed.
Vice chairman	*M. J. Verey, T.D.
Managing director *(Industrial Division)*	R. N. Gunn
Managing director *(Retail Division)*	H. J. Hann
	K. Ackroyd, F.P.S.
	E. E. Cliffe, D.Phil., F.I.Biol., F.R.S.C.
	P. H. Courtney, F.C.A.
	G. M. Hourston, F.P.S.
	*A. B. Marshall
	*The Rt. Hon. Sally Oppenheim, P.C., M.P.
	*D. A. G. Sarre
	*Sir Bernard Scott, C.B.E., T.D., F.Eng.
	G. R. Solway
	B. H. C. Theobald

*Non-executive directors and members of audit committee

Secretary	D. N. Edmundson
Registrar	F. Collins
Registered office	Nottingham, NG2 3AA
Auditors	Peat, Marwick, Mitchell & Co.
Bankers	National Westminster Bank PLC

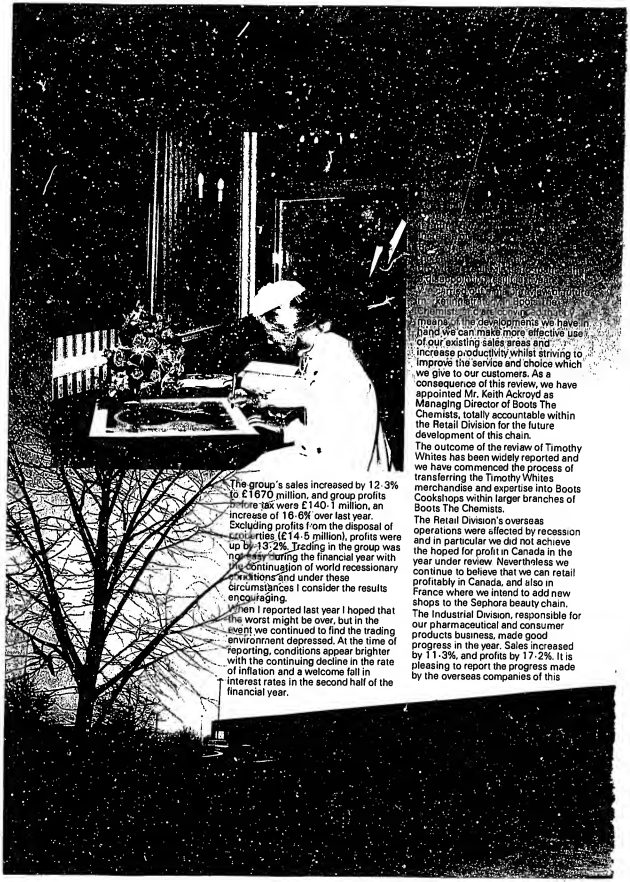
Group highlights

for the year ended 31st March 1983

		% change over prior year
Turnover	£1670·0m	+ 12·3
*Industrial Division	£ 292·7m	+ 11·3
Retail Division	£1478·9m	+ 10·7
Trading profit	£ 141·3m	+ 18·5
Industrial Division	£ 57·9m	+ 17·2
Retail Division	£ 84·6m	+ 15·9
Profit on ordinary activities before taxation	£ 140·1m	+ 16·6
Profit for the financial year attributable to shareholders	£ 89·3m	
Earnings per share before taxation	38·2p	
Earnings per share after taxation	25·5p	
Dividends to shareholders	£ 34·5m	
Retained in the business	£ 54·8m	
Capital expenditure	£ 58·0m	

*including sales to Retail Division.

The accounts are presented in the new format required by the Companies Act 1981.



The group's sales increased by 12·3% to £1670 million, and group profits before tax were £140·1 million, an increase of 16·6% over last year. Excluding profits from the disposal of properties (£14·5 million), profits were up by 13·2%. Trading in the group was not easy during the financial year with the continuation of world recessionary conditions and under these circumstances I consider the results encouraging.

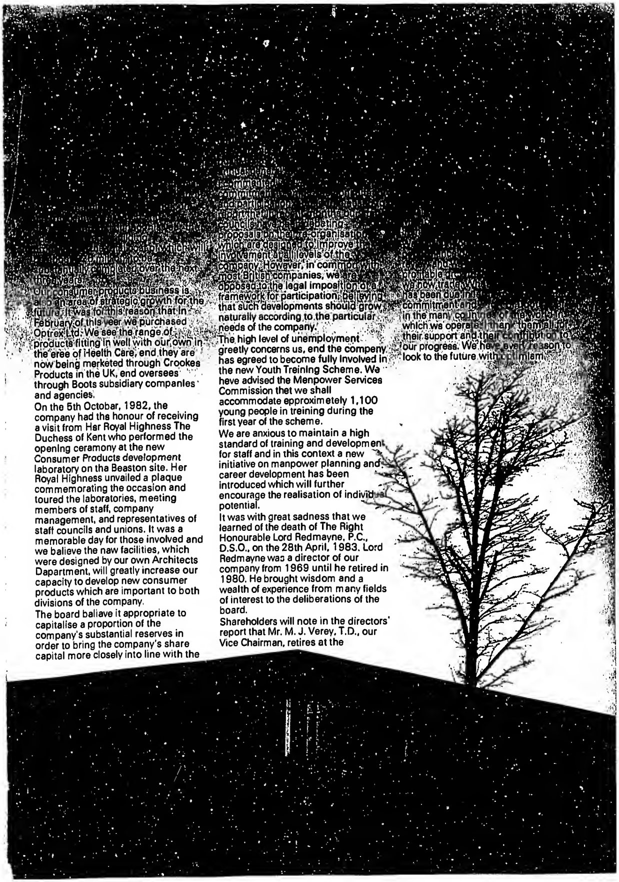
When I reported last year I hoped that the worst might be over, but in the event we continued to find the trading environment depressed. At the time of reporting, conditions appear brighter with the continuing decline in the rate of inflation and a welcome fall in interest rates in the second half of the financial year.

[illegible] means of the developments we have in hand we can make more effective use of our existing sales areas and increase productivity whilst striving to improve the service and choice which we give to our customers. As a consequence of this review, we have appointed Mr. Keith Ackroyd as Managing Director of Boots The Chemists, totally accountable within the Retail Division for the future development of this chain.

The outcome of the review of Timothy Whites has been widely reported and we have commenced the process of transferring the Timothy Whites merchandise and expertise into Boots Cookshops within larger branches of Boots The Chemists.

The Retail Division's overseas operations were affected by recession and in particular we did not achieve the hoped for profit in Canada in the year under review. Nevertheless we continue to believe that we can retail profitably in Canada, and also in France where we intend to add new shops to the Sephora beauty chain.

The Industrial Division, responsible for our pharmaceutical and consumer products business, made good progress in the year. Sales increased by 11·3%, and profits by 17·2%. It is pleasing to report the progress made by the overseas companies of this



[illegible] completed over the next three years.

Our consumer products business is also an area of strategic growth for the future. It was for this reason that in February of this veer we purchased Optrex Ltd. We see the range of products fitting in well with our own in the eree of Heelth Care, end they are now being merketed through Crookes Products in the UK, end oversees through Boots subsidiary companles and agencies.

On the 5th Octobar, 1982, the company had tha honour of receiving a visit from Har Royal Highness The Duchess of Kent who performed the openlng ceramony at the new Consumer Products development laboratory on tha Beaston site. Her Royal Highness unvailed a plaque commemorating the occasion and toured the laboratories, meeting members of staff, company management, and representatives of staff councils and unions. It was a memorable day for those involved and we balieve the naw facilities, which were designed by our own Architects Dapartment, will greatly increase our capacity to develop new consumer products which are important to both divisions of the company.

The board baliave it appropriate to capitalise a proportion of the company's substantial reserves in order to bring the company's share capital more closely into line with the

[illegible] proposals on the re-organisation which are designed to improve [illegible] involvement at all levels of the company. However, in common with most British companies, we are [illegible] opposed to the legal imposition of a framework for participation, believing that such developments should grow naturally according to the particular needs of the company.

The high level of unemployment greetly concerns us, end the compeny has egreed to become fully Involved in the new Youth Treining Scheme. Wa heve advised the Menpower Services Commission thet we shall accommodate epproximetely 1,100 young people in treining during the first year of the scheme.

We are anxious to maintain a high standard of training and development for staff and in this context a new initiative on manpower planning and career development has been introduced which will further encourage the realisation of individual potential.

It was with great sadness that we learned of the death of The Right Honourable Lord Redmayne, P.C., D.S.O., on the 28th April, 1983. Lord Redmayne was a director of our company from 1969 until he retired in 1980. He brought wisdom and a wealth of experience from many fields of interest to the deliberations of the board.

Shareholders will note in the directors' report that Mr. M. J. Verey, T.D., our Vice Chairman, retires at the

[illegible] profitable [illegible] we now trade. [illegible] has been due in [illegible] commitment and [illegible] in the many countries of the world in which we operate. I thank them all for their support and their contribution to our progress. We have every reason to look to the future with optimiam.

Review of the year Retail Division

Divisional Board

H. J. Hann, *Managing Director (Chairman)*
K. Ackroyd, F.P.S.
J. W. Barry
D. Cargill
P. L. M. Davies, M.P.S.
A. B. McInnes, M.P.S.
A. R. Ripley
M. F. Ruddell
B. H. C. Theobald
D. A. R. Thompson, F.C.A.
J. D. Wykes, M.P.S.

Divisional Results

	1983		1982	
	Turnover (excl. VAT) £m	Profits £m	Turnover (excl. VAT) £m	Profits £m
UK trading	1351·1	73·1	1237·3	65·9
Profit on property sales	—	14·5	—	9·2
Total UK	1351·1	87·6	1237·3	75·1
Overseas	127·8	(3·0)	98·7	(2·1)
	1478·9	84·6	1336·0	73·0

United Kingdom

The expectation was that the year would see an economic recovery but in the event the first hesitant signs did not appear until the later months. Boots The Chemists increased sales by 9·3%, of which 4% was real growth, and trading profits were up by 10·3%. Timothy Whites sales improved by 7·0% and it again made a small profit.

Merchandise development has continued unabated. Our range of Boots Aids successfully launched last year has been extended to provide for a wider spectrum of personal disabilities and we have launched the Boots Second Nature range of dietary supplements and natural high fibre foods with gratifying results. Ranges like these complement our pharmaceutical service, which continues to dispense over [illegible] million prescriptions per week and forms a crucially important part of our business.

Price competition remains intense but we have achieved increased gross profit in many of our traditional markets despite some small erosion of margin. Indeed in the highly competitive photographic processing area we have maintained our margin and increased our market share.

Cosmetics and toiletries markets have been generally depressed, continuing the absence of any real growth over recent years, but there is some evidence that this picture may improve with an increased trend of overall consumer spending. Our breadth of brand selection, customer service and pleasurable shopping environment give us unique appeal in these areas and our own Boots brand toiletries and leading N°7 and 17 cosmetics go from strength to strength.

We are increasing our investment in projects designed to reduce the cost of distribution. The new warehouse, which has been completed ahead of schedule at a cost of nearly £10 million, and which has storage capacity for 30,000 pallets, will enable us to vacate a number of old and unsuitable leasehold buildings. At the same time we are developing a system which, by the creation of regional stock rooms, will improve the handling of goods in branches. These projects are a charge against profits in the short term but will be very beneficial in the future.

Progress has been made in the management of stocks; sales growth has been achieved whilst stock levels have been reduced in both value and physical volume.

During the year we have introduced a new supervisory staff structure into the branches; this is working well and will help to improve the standard of service to customers. Staff productivity has again improved by 6% making 18% over the last three years. In the main, staff numbers have been reduced by normal leavings and redeployment.

However, in the year ahead the transfer of houseware business from Timothy Whites to Boots The Chemists will inevitably lead to some redundancies although every effort will be made to redeploy as many staff as possible.

Following our strategy review we have decided that it no longer makes sense for the company to operate two retail chains in the houseware business. In recent years Timothy Whites has developed an attractive shop environment and merchandise range but, though popular with customers, this has not produced an adequate return on capital. However, recent experience where Timothy Whites concessions have been opened in branches of Boots The Chemists indicates that the combination of the Timothy Whites format with Boots customer flow can be very successful. Over the next two years, therefore, Timothy Whites will close and Boots Cookshops will open in the 130 larger branches of Boots The Chemists.

Much attention this year has been given to shortening the timescales involved in planning and fitting out new shops. These faster programmes, besides being more cost effective, reduce the period during which trading is disrupted and this is appreciated by customers and staff alike. These new skills will be fully employed in dealing with the considerable task of closing Timothy Whites and transferring the business into Boots Cookshops. We are developing an appropriate in-store treatment for these new shops-within-a-shop and a similar approach will be carried forward to other parts of our business.

Overseas

1982 was a year of extraordinary economic stress for Canada as the deepening recession reduced industrial output and severely curtailed demand for raw materials, resulting in a decline in GNP of nearly 5%. Real incomes fell and unemployment reached record levels. Against this background we achieved a creditable increase in retail sales of 12% with dispensing particularly strong.

In profit terms, however, the recession hit us hard and we had both to accept lower margins and also to absorb high increases in wage rates and other costs. It is disappointing to report that we made a loss in a year in which we had hoped to make a modest profit, although the Eastern operation achieved the break-even point.

The strategy of closing unproductive stores and acquiring profitable existing businesses in better locations will continue, as will policies designed to increase market share. There are now signs of an up-turn in the Canadian economy and we look for improved trading conditions in the second half of the year.

Sales in the New Zealand company increased by 22% and there was a further marked improvement in profit.

In France, our five Sephora shops in the Paris region produced real growth of 10%. This continued progress in a hostile economic environment has encouraged us to embark on a further limited expansion of the chain, starting with three shops in provincial cities in 1983.

Interior of the new Bournemouth branch of Boots The Chemists opened in November 1982.

Review of the year Industrial Division

Divisional Board

R. N. Gunn, *Managing Director (Chairman)*
E. E. Cliffe, D.Phil., F.I.Biol., F.R.S.C.
A. H. Hawksworth
S. A. B. Kipping
B. Lessel, Ph.D., F.I.Biol.
J. W. Lewin
T. G. Richardson
K. T. Robinson
J. H. Wilson
I. A. Hawtin, *Secretary*

Divisional Results

	1983		1982	
	Turnover £m	Profits £m	Turnover £m	Profits £m
UK and export	188·3	39·5	194·6	38·9
Overseas	126·4	14·9	86·3	7·9
Less: Sales within the division	(22·0)	—	(17·9)	—
	292·7	54·4	263·0	46·8
Share of profit of related companies	—	3·5	—	2·6
	292·7	57·9	263·0	49·4

Economic conditions during the year remained difficult in many of the countries in which we trade and, in the circumstances, the results for the division were good. Total sales increased by 11·3% but, after adjusting for a change in the treatment of certain ranges previously bought-in for the Retail Division, the comparative sales increase was 19·3%. Divisional profit, including our share of our agrochemical related company, FBC, increased by 17·2%.

Once again, the growing importance of our international business was demonstrated by an increase in the third party sales of our overseas subsidiaries of 48·1%. Profits increased by 88·6% (70% at comparable exchange rates).

Research and Development

The statement by the chairman refers to the major building programme for pharmaceutical research and development and the official opening of the Consumer Products development building.

Since its introduction as an antirheumatic product in 1969, Brufen has been available only on a doctor's prescription. The Committee on Safety of Medicines in the UK has recently announced its recommendation that the active ingredient, ibuprofen, discovered and developed in our laboratories, should be approved for sale over-the-counter. Brufen will remain an important prescription medicine and we believe that it will continue to be widely prescribed for rheumatic diseases and the relief of pain. Ibuprofen has an excellent safety record and we welcome its proposed change of status which will enable new over-the-counter products to be introduced for the relief of a wide range of painful conditions such as headache, symptoms of colds and flu, backache and period pain.

Manufacturing

The lack of growth in the UK economy and the very competitive industrial situation have put pressure on margins, but continuing improvements in productivity have helped to keep costs down. Investment and development in areas of high technology, including the application of microprocessors, are contributing and we are well placed to take advantage of the anticipated upturn in business activity.

The new flurbiprofen plant at Cramlington is currently being commissioned. It uses advanced computerised plant control technology which has been developed within the company. Flurbiprofen is the active ingredient in Froben, our other antirheumatic product.

Overseas, much effort has been applied to the improvement of our existing facilities and new factories or extensions in a number of countries are being planned to meet the increasing volume of business.

Pharmaceuticals

The year showed a sales increase of 30·7%. This derives mainly from overseas growth, especially in the USA, and prescription products in the UK. The figure includes seven months' sales by our Spanish company, which became a wholly-owned subsidiary in May, 1982.

In the UK, our major prescription products, Brufen, Froben and

Prothiaden, showed growth in a particularly competitive market. During the year, we introduced a higher strength 600 mg Brufen tablet and a licensed product, Gastrozepin, for the treatment of gastric ulcer. The volume of business of Boots Hospital Products showed only modest gains and was affected by the prolonged National Health Service industrial dispute. However, the acceptance of our products is generally reassuring and demand has now improved.

Overseas subsidiaries continued to increase their share of our pharmaceutical business and sales grew by 59·6%. In the USA, Boots Pharmaceuticals, Inc. had another successful year with a sales gain of 86% in local currency and now has the largest sales and profits of any of our overseas subsidiaries. The main contributor to this result was Rufen, our brand of ibuprofen in the USA. In February, 1983, Boots Pharmaceuticals, Inc. launched Zorprin, a new sustained-release form of aspirin; early sales are encouraging. In Europe, our companies had another good year with the main increases in sales coming from France, Italy, Spain and Ireland. In Holland, our company had a difficult year, due to changes in the regulations for reimbursement of pharmaceutical products.

Direct exports to third parties declined, mainly as a result of reduced orders for ibuprofen from our licensee in the USA. Export sales to the Middle East declined, as did those to Europe, following the expiry of our patent on Brufen, but there were good sales to Eastern Europe and sales to our licensee in Japan increased.

Consumer Products

The increased priority given to our consumer product business has continued to show encouraging results during the year. After adjusting for the change of accounting for bought-in lines, total sales, including the sale of Boots Own Brands to the Retail Division, increased by 12·1%. Sales by our overseas subsidiaries increased by 25·6% and Crookes and Optrex products by 22·4%.

We are determined to expand our consumer product business substantially in the years ahead and the acquisition of Optrex in February, 1983, with its important brand names of Optrex, Famel and Virol, will help to achieve this aim.

During the year, Crookes Products has consolidated its position. Sweetex and Strepsils have strengthened their brand leadership; Crunch n' Slim has continued to hold a high share of the slimmers' meal replacement market and Complete Care hand and nail cream has exceeded our expectations. These successes in the UK have given us a nucleus of products with which to continue our expansion overseas and, since the last report, Crunch n' Slim and Complete Care have been launched in some European markets. Elsewhere, good progress was made in Nigeria, Kenya, India, Pakistan, Thailand, Singapore and Malaysia, but our Australian company had a disappointing year, despite the successful launch of the No7 cosmetic range.

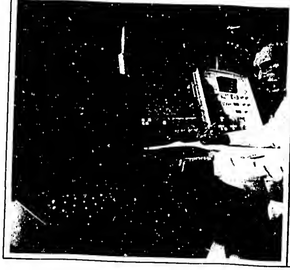
The manufacture and sale of Boots Own Brands to the Retail Division remains a very important part of our total consumer products business. A comparative sales growth of 9·9% was achieved. Cost inflation was held below 5% and this, together with a favourable sales mix, resulted in a satisfactory profit performance.

Agrochemicals

In December, 1980, we merged our agrochemical business with that of Fisons by the formation of FBC Holdings Ltd. which we now own jointly. The benefits of the merger are now being clearly seen. Cost savings have been achieved and the stronger international presence has led to sales growth, despite difficult trading conditions in some countries. The cereal fungicide, Sportak, launched in the UK and France in 1981, made excellent progress and has considerable future potential.

Profit during the year increased very substantially, albeit from a small base, but there is a continuing negative cash flow and it will be some time yet before FBC produces an acceptable return on capital employed.

Mass spectrometer used in pharmaceutical research.



A range of Boots ethical pharmaceutical products.

Directors' report

The directors of The Boots Company PLC present their ninety-fifth annual report to shareholders, together with the audited accounts for the year ended 31st March 1983.

Group results

The group profit and loss account for the year ended 31st March 1983 (with 1982 comparisons) includes the following details:

	1983 £m	1982 £m
Trading profit	**141·3**	119·2
Profit on ordinary activities before taxation	**140·1**	120·2
Profit for the financial year attributable to shareholders	**89·3**	86·2

Further details are shown in the profit and loss account on page 12.

Appropriations

The directors recommend the payment of a final dividend of 6·0p per share which, when added to the interim dividend of 3·5p already paid, makes a total dividend for the year of 9·5p per share. The payment of these dividends requires £34·6m (1982 £30·8m), leaving £54·8m (1982 £55·4m) retained in the business.

Continuing their policy of reducing the disparity between the interim and final dividends, and following the proposed capitalisation issue, the directors intend to increase the rate of interim dividend to be paid in January 1984 to 2·0p per share (1·75p equivalent in 1983). This should not be taken as an indication of intention regarding the total payment for the year.

Principal activities

The principal activities of the group are the retailing of chemist and other merchandise and the research, manufacturing and marketing of pharmaceuticals and consumer products throughout the world. A review of these activities is shown on pages 6 to 9.

The research, manufacturing and marketing of agrochemicals worldwide is undertaken by FBC Holdings Ltd., a related company jointly owned with Fisons plc.

During the year the group acquired the remaining 50% equity in Laboratorios Liado S.A., and also acquired the whole of the equity of Optrex Ltd.

Share capital

As special business at the annual general meeting resolutions will be proposed:

1. to increase the authorised share capital of the company and to authorise a capitalisation issue on the basis of one new ordinary share of 25p for every ordinary share of 25p held by members on 17th June 1983,
2. to authorise the directors until the 1984 annual general meeting to allot relevant securities as provided by section 14 of the Companies Act, 1980 and,
3. to disapply the provisions of section 17 of that Act to a limited extent for the same period.

Details are set out in the accompanying letter to shareholders.

Fixed assets

The UK retail trading properties were valued by the directors at 1st January 1981, based on detailed assessments prepared by the company's qualified valuers. These properties, representing approximately 70% of the net book value of the group's total property portfolio, were valued at open market value at more than £300m over historical net book value.

This valuation has not been incorporated in the accounts. Details of fixed assets are shown in note 10 on page 16.

Current cost accounts

A statement of group profit prepared under the current cost accounting convention, based on SSAP16, is shown on page 26. On this basis group profit before taxation is £98·1m (1982 £81·7m). The profit after taxation attributable to the shareholders is £45·2m (1982 £47·7m).

Employment policies

The company involves staff in the decision-making process—through management, through a comprehensive structure of staff councils and with trade unions where they represent staff. Regular communications meetings are held with representatives of staff at all levels to explain the financial and economic factors affecting the company and these and other business matters are reported in *Boots News*, a company newspaper with ten editions each year sent to employees throughout the world. In the UK the company encourages staff to be involved in the company's performance through a bonus scheme and a linked employee share scheme related to UK profits and also through an employees' share option scheme linked to save-as-you-earn savings contracts.

The company recognises its social and statutory duty to employ disabled persons and does all that is practicable to meet this responsibility. It is the company's policy to consider applications for employment from disabled persons (whether registered disabled or not) in the light of their aptitudes and abilities and the needs of the job.

Where an employee becomes disabled, normally he or she continues in the same job. If, for medical reasons, this is not practicable, or is not sensible from the individual's point of view, every effort is made to find alternative employment with the company and appropriate training given.

The company's aim on training and promotion is to fit the qualifications and potential of each member of staff to the appropriate job and career. This policy is applied to disabled persons.

Charitable donations

Donations for charitable and educational purposes in the UK for the year were £363,000 (1982 £316,000).

There were no political payments.

Directors

Mr. D. A. G. Serre retires by rotation in accordance with article 100 and offers himself for re-election.

Mr. M. J. Verey, having attained the age of 70 years, will vacate his office as a director at the conclusion of the annual general meeting and does not offer himself for re-election.

No director had any interest, either during or at the end of the financial year in any contract which was significant in relation to the group business.

Details of the interests of the directors and their families in the share capital of the company are shown in note 24 on page 24.

Shareholders

Shareholdings range	Shareholders Number	%
1 – 500	34,514	37·4
501 – 1,000	23,930	26·0
1,001 – 10,000	31,833	34·6
10,001 – 100,000	1,473	1·6
100,001 – 1,000,000	279	·3
Over 1,000,000	57	·1
	92,086	

The directors are not aware that any person held a beneficial interest in 5% or more of the share capital of the company at 25th May 1983. The largest shareholding (by an insurance company) was under 3%.

National Westminster Bank PLC hold in trust under the Boots staff share ownership scheme 452,336 shares for 2,814 employees.

Company status

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

Auditors

It is proposed to re-appoint Messrs. Peat, Marwick, Mitchell & Co., as auditors and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
D. N. Edmundson, Secretary,
25th May 1983.

Group profit and loss account

for the year ended 31st March 1983

	Notes	1983 £m	1982 £m
Turnover	2	1670·0	1487·4
Cost of sales		(1063·0)	(947·8)
Gross profit		607·0	539·6
Selling, distribution and branch costs		(428·7)	(383·3)
Research and development costs		(16·4)	(14·6)
Administrative expenses		(47·4)	(41·3)
Surplus on disposal of retail properties		14·5	9·2
Other operating income—royalties		8·8	7·0
Share of profit of related companies		3·5	2·6
Trading profit		141·3	119·2
Interest receivable	3	3·7	3·8
Interest payable	4	(4·9)	(2·8)
Profit on ordinary activities before taxation		140·1	120·2
Taxation on profit on ordinary activities	5	(46·9)	(30·9)
Profit on ordinary activities after taxation		93·2	89·3
Attributable to minority interests		(·7)	(·5)
		92·5	88·8
Extraordinary loss net of taxation benefit	6	(3·2)	(2·6)
Profit for the financial year attributable to shareholders	7	89·3	86·2
Dividends	8	(34·5)	(30·8)
Profit retained		54·8	55·4
Earnings per share before taxation	9	38·2p	32·8p
Earnings per share after taxation	9	25·5p	24·5p

1982 comparative figures have been adjusted to eliminate gains and losses arising from the translation of overseas net current assets which are now dealt with through reserves.

Balance sheets

31st March 1983

	Notes	Group 1983 £m	Group 1982 £m	Parent 1983 £m	Parent 1982 £m
Fixed assets					
Tangible assets	10	**431·9**	397·6	**119·2**	99·0
Investments	11	**49·3**	53·0	**131·4**	113·8
		481·2	450·6	**250·6**	212·8
Current assets					
Stocks	12	**307·8**	310·3	**123·8**	134·0
Debtors	13	**107·5**	99·2	**297·1**	300·9
Investments	14	**46·5**	9·9	**25·6**	·5
Cash at bank and in hand		**4·7**	3·5	**·3**	·5
		466·5	422·9	**446·8**	435·9
Creditors: amounts falling due within one year	15	**(298·1)**	(272·3)	**(237·6)**	(228·7)
Net current assets		**168·4**	150·6	**209·2**	207·2
Total assets less current liabilities		**649·6**	601·2	**459·8**	420·0
Creditors: amounts falling due *after more than one year*	16	**(11·6)**	(13·2)	**(22·3)**	(10·2)
Net assets		**638·0**	588·0	**437·5**	409·8
Capital and reserves					
Called up share capital	17	**90·8**	90·7	**90·8**	90·7
Share premium account	18	**11·3**	10·5	**11·3**	10·5
Revaluation reserve	18	**9·9**	10·4	**—**	—
Profit and loss account	18	**523·5**	474·5	**335·4**	308·6
		635·5	586·1	**437·5**	409·8
Minority interests		**2·5**	1·9	**—**	—
		638·0	588·0	**437·5**	409·8

P. T. MAIN
P. H. COURTNEY | Directors

Approved by the board
25th May 1983

Source and application of funds

for the year ended 31st March 1983

	1983 £m	1983 £m	1982 £m	1982 £m
Source				
Group trading:				
Profit on ordinary activities before taxation		140·1		120·2
Share of profit of related companies		(3·5)		(2·6)
		136·6		117·6
Distributions from related companies		·3		·3
Depreciation less net surplus on disposal of tangible fixed assets		13·6		15·2
Proceeds on disposal of tangible fixed assets		19·6		12·9
Extraordinary loss		(4·5)		(1·0)
		165·6		145·0
Issue of ordinary shares		·9		1·0
		166·5		146·0
Application				
Capital expenditure		58·0		82·9
Investments:				
Related companies	·1		·3	
Subsidiaries	17·4		1·9	
		17·5		2·2
Working capital:				
(Decrease)/increase in stocks	(13·2)		20·7	
(Decrease)/increase in debtors	(·4)		10·6	
Increase in creditors falling due within one year	(18·9)		(2·9)	
		(32·5)		28·4
(Increase)/decrease in creditors falling due after more than one year		(·4)		·7
Repayment of debenture loans		5·6		—
Dividends paid		33·1		27·2
Taxation paid		40·1		44·6
Other items		·9		(1·0)
		122·3		185·0
Increase/(decrease) in net cash resources:				
Listed investments		—		(10·0)
Short term deposits		33·8		(16·0)
Cash at bank and in hand		·3		(2·2)
Bank loans and overdrafts		10·1		(10·8)
		44·2		(39·0)

Investment in new subsidiaries comprises tangible fixed assets £7·1m, goodwill £15·2m and net working capital £3·2m, less transfer from related company £8·1m.

Exchange differences on translation of overseas opening net current assets have been excluded from applications as they do not represent movements of funds.

Notes relating to the accounts

1. Accounting policies
The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of accounting
The accounts have been prepared under alternative accounting rules set out in the 8th Schedule to the Companies Act, 1948, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented in accordance with section 149 of the Companies Act, 1948.

Consolidation
The accounts combine the results of the company and its subsidiaries and related companies for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the book value of net assets acquired has been written off to reserves. Related companies are those companies in which the group has an equity interest of between twenty percent and fifty percent and over whose policies the group is able to exercise a significant degree of influence. The proportion of profits attributable to the group of those companies for the relevant accounting periods is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income.

In the group balance sheet related companies are shown at the group's share of net assets adjusted for goodwill or discount on acquisition.

The accounts of all UK subsidiaries are made up to 31st March 1983, the accounts of related companies and overseas subsidiaries are made up to 31st December 1982 as adjusted for any abnormal transactions in the intervening period, in order to facilitate early presentation of group accounts.

Foreign exchange
The accounts of overseas companies are translated into sterling at rates of exchange ruling at the end of the financial year. Exchange differences arising on the translation of overseas companies' opening net assets into sterling at year end rates of exchange are dealt with through reserves.

Exchange gains or losses arising on settlement or translation at year end rate of exchange of external monetary assets and liabilities are included in trading profit. Overseas investments are stated at the rates of exchange in force at the date the investment was made.

This is a change from the accounting policy adopted in previous years to conform with Statement of Standard Accounting Practice No. 20. Comparative figures have been restated on the new basis.

Depreciation
Depreciation is calculated to write off assets by equal instalments during their expected normal lives. The maximum life assumed for buildings is eighty years, and the lives assumed for fixtures and plant vary between three and twenty years. No depreciation is calculated on freehold land and assets in course of construction.

Stock
Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development
Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding
The company and its UK subsidiaries operate a pension scheme under which contributions by employees and by the companies are held in a trustee administered fund separated from the companies' finances. Actuarial valuations of the fund are conducted at three-year intervals and include a review of contributions.

Certain overseas companies operate their own pension schemes.

Notes relating to the accounts

Accounting policies—continued

Deferred taxation

No provision is made in respect of timing differences arising from accelerated capital allowances and other timing differences to the extent that such liabilities are not expected to become payable for a considerable period. Future tax recoveries relating to advance corporation tax and short term timing differences are anticipated to the extent that such recoveries are regarded as certain.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and related companies and on capital gains which might arise from the sale of properties at values at which they are stated in the balance sheet.

	1983		1982	
	Turnover £m	Profit £m	Turnover £m	Profit £m
2. Turnover and profit on ordinary activities before taxation				
Industrial Division	292·7	57·9	263·0	49·4
Retail Division	1478·9	84·6	1336·0	73·0
Inter-divisional	(101·6)	—	(111·6)	—
	1670·0	142·5	1487·4	122·4
Net interest and unallocated items	—	(2·4)	—	(2·2)
	1670·0	140·1	1487·4	120·2
Turnover by geographical destination and related profits is as follows:				
Africa and Near East	14·3	·5	14·2	·6
Americas	149·9	10·2	110·1	5·6
Asia	28·6	4·3	21·8	3·8
Australasia	17·7	1·6	16·5	1·8
Europe	62·9	8·5	46·2	6·9
UK	1396·6	113·9	1278·6	101·1
	1670·0	139·0	1487·4	119·8
Share of profit of related companies	—	3·5	—	2·6
	1670·0	142·5	1487·4	122·4

Turnover comprises sales to external customers excluding sales taxes.

	1983 £m	1982 £m
Profit on ordinary activities before taxation is after charging:		
Depreciation	26·6	23·2
Computer and plant hire	4·5	3·3
Remuneration of auditors	·4	·4
3. Interest receivable		
Listed investments	·6	—
Short term deposits	3·1	3·8
	3·7	3·8

Dividends of £0·3m (1982 £0·3m) were received from related companies during the year.

	On debenture loans		On bank and other borrowings	
	1983 £m	1982 £m	1983 £m	1982 £m
4. Interest payable				
On amounts wholly repayable:				
Within five years	·3	·2	4·0	1·8
After five years	·6	·8	—	—
	·9	1·0	4·0	1·8

	1983 £m	1982 £m
5. Taxation		
The charge on the profit of the year consists of:		
UK corporation tax at 52%	**41·7**	32·8
Deferred tax at 52%	**·1**	·7
Relief for overseas taxation	**(3·9)**	(3·0)
Over-provision—prior years	**—**	(5·5)
Total UK taxation	**37·9**	25·0
Overseas taxation	**8·8**	5·3
Share of taxation of related companies	**·2**	·6
	46·9	30·9
The taxation charge for the year has been reduced by:		
Accelerated capital allowances	**11·1**	11·9
Other timing differences	**3·3**	1·5
Stock appreciation relief	**7·9**	11·0
	22·3	24·4
6. Extraordinary loss net of taxation benefit		
Reorganisation costs—houseware business	**4·5**	—
—in Canada	**—**	1·0
Share of restructuring costs of related company	**·4**	1·6
	4·9	2·6
Less taxation benefit	**(1·7)**	—
	3·2	2·6

Reorganisation costs include depreciation of £1·1m.

7. Profit for the financial year attributable to shareholders

Of the profit attributable to shareholders £61·3m (1982 £65·4m) is dealt with in the accounts of the parent company.

	1983 £m	1982 £m
8. Dividends		
Interim paid of 3·5p per share	**12·7**	10·4
Final proposed of 6·0p per share	**21·8**	20·4
9·5p per share		
	34·5	30·8

9. Earnings per share

Earnings per share calculations are based on 363·1m (1982 352·8m) average ordinary shares in issue, weighted on a time basis. Earnings per share before taxation is based on profit on ordinary activities, after deducting minority interests, of £138·7m (1982 £119·1m). Earnings per share after taxation is based on profit, before extraordinary loss, of £92·5m (1982 £88·8m).

The effect on earnings per share of full conversion of outstanding convertible US dollar bonds (and the exercise of outstanding options by employees) into ordinary shares of the company would not be material.

Notes relating to the accounts

	Land and buildings						
	Freehold property £m	Long leasehold £m	Short leasehold £m	Plant and machinery £m	Fixtures fittings tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
10. Tangible fixed assets							
(a) Group							
Cost or valuation							
At 31st March 1982	162·7	32·0	38·2	58·7	189·3	41·6	522·5
Capital expenditure	7·2	·8	1·2	5·9	11·4	31·5	58·0
Subsidiaries acquired	5·5	—	·1	3·6	·8	—	10·0
Disposals	(3·5)	(·1)	(·6)	(3·1)	(3·8)	—	(11·1)
Transfers	19·5	(1·4)	1·4	4·0	12·4	(35·9)	—
Currency adjustments	·6	·1	·6	·6	1·9	—	3·8
At 31st March 1983	192·0	31·4	40·9	69·7	212·0	37·2	583·2
Cost	159·4	26·7	38·4	69·7	212·0	37·2	543·4
Independent valuation 1958	9·7	—	—	—	—	—	9·7
1959	·1	·5	·3	—	—	—	·9
1965	22·8	3·1	2·2	—	—	—	28·1
Directors' valuation 1971	—	1·1	—	—	—	—	1·1
	192·0	31·4	40·9	69·7	212·0	37·2	583·2
Depreciation							
At 31st March 1982	21·2	3·8	9·0	24·3	66·6	—	124·9
Depreciation for year	3·0	·6	1·7	5·5	16·9	—	27·7
Subsidiaries acquired	·7	—	—	1·9	·3	—	2·9
Disposals	(·5)	—	(·3)	(2·1)	(2·7)	—	(5·6)
Transfers	·1	(·2)	—	·1	—	—	—
Currency adjustments	·2	—	·2	·2	·8	—	1·4
At 31st March 1983	24·7	4·2	10·6	29·9	81·9	—	151·3
Net book value at 31st March 1983	167·3	27·2	30·3	39·8	130·1	37·2	431·9
(b) Parent							
Cost or valuation							
At 31st March 1982	31·8	2·9	1·0	51·1	35·9	21·8	144·5
Capital expenditure	4·6	·2	·1	4·0	5·8	15·2	29·9
Disposals	(·1)	—	—	(2·6)	(·6)	—	(3·3)
Transfers	5·8	—	—	3·9	1·6	(11·3)	—
At 31st March 1983	42·1	3·1	1·1	56·4	42·7	25·7	171·1
Cost	32·4	2·0	1·1	56·4	42·7	25·7	160·3
Independent valuation 1958	9·7	—	—	—	—	—	9·7
Directors' valuation 1971	—	1·1	—	—	—	—	1·1
	42·1	3·1	1·1	5[illegible]4	42·7	25·7	171·1
Depreciation							
At 31st March 1982	9·7	·4	·2	20·8	14·4	—	45·5
Depreciation for year	1·1	·1	—	4·3	3·1	—	8·6
Disposals	—	—	—	(1·9)	(·3)	—	(2·2)
At 31st March 1983	10·8	·5	·2	23·2	17·2	—	51·9
Net book value at 31st March 1983	31·3	2·6	·9	33·2	25·5	25·7	119·2

Land included in book value of freehold property is £44·9m for the group and £1·9m for the parent.

Leases with more than 50 years unexpired are treated as long leases.

Net book value of tangible fixed assets under the historical cost convention at 31st March 1983 is £420·6m (1982 £385·8m) for the group and £117·8m (1982 £97·6m) for the parent.

11. Fixed assets—investments

	Group £m		
	Related companies	Listed	Total
At 31st March 1982			
Cost	—	1·0	1·0
Share of net assets	53·5	—	53·5
Goodwill on acquisition	3·9	—	3·9
Discount on acquisition	(5·4)	—	(5·4)
	52·0	1·0	53·0
Additions	·1	—	·1
Transfer	(8·1)	—	(8·1)
Currency adjustments	1·7	—	1·7
Share of profits for the year	2·6	—	2·6
At 31st March 1983	48·3	1·0	49·3
Cost	—	1·0	1·0
Share of net assets	53·7	—	53·7
Discount on acquisition	(5·4)	—	(5·4)
	48·3	1·0	49·3

The cost of investments in related companies is £41·0m (1982 £50·2m).

	Parent £m				
	Shares in subsidiaries	Loans to subsidiaries	Related companies	Listed	Total
At 31st March 1982					
Cost	37·2	10·8	50·2	1·0	99·2
Book value of net assets on acquisition	15·3	—	—	—	15·3
Provision	(·7)	—	—	—	(·7)
	51·8	10·8	50·2	1·0	113·8
Additions	13·2	4·5	·1	—	17·8
Transfer	9·3	—	(9·3)	—	—
Change in provision	(·2)	—	—	—	(·2)
At 31st March 1983	74·1	15·3	41·0	1·0	131·4
Cost	59·7	15·3	41·0	1·0	117·0
Book value of net assets on acquisition	15·3	—	—	—	15·3
Provision	(·9)	—	—	—	(·9)
	74·1	15·3	41·0	1·0	131·4

On 21st May 1982 the balance of share capital of a related company was acquired and the book value of the original investment has been transferred to shares in subsidiaries.

The list of principal companies shown on page 25 forms part of this note.

The listed investment is in Kaken Pharmaceutical Co. Ltd. incorporated in Japan and the market value on the Tokyo Stock Exchange at 31st March 1983 was £9·4m (1982 £5·5m).

Notes relating to the accounts

	Group 1983 £m	Group 1982 £m	Parent 1983 £m	Parent 1982 £m
12. Stocks				
Manufacturing:				
Raw materials	**25·5**	22·3	**16·8**	16·7
Work in progress	**13·9**	13·3	**10·6**	11·0
Finished goods	**19·7**	18·4	**7·8**	7·9
	59·1	54·0	**35·2**	35·6
Retailing	**248·7**	256·3	**88·6**	98·4
	307·8	310·3	**123·8**	134·0
13. Debtors				
Falling due within one year:				
Trade debtors	**76·4**	67·1	**52·8**	48·9
Amounts owed by group companies	—	—	**223·4**	231·5
Amounts owed by related companies	**2·5**	2·1	**2·5**	2·1
Other debtors	**6·8**	10·4	**3·9**	5·4
Prepayments and accrued income	**8·8**	8·8	**3·3**	2·6
	94·3	88·4	**285·9**	290·5
Debtors falling due after more than one year:				
Deferred taxation recoverable:				
Advance corporation tax	**9·3**	8·7	**9·3**	8·7
Short term timing differences	**1·9**	·3	**·3**	·3
Other debtors	**2·0**	1·5	**1·6**	1·4
Prepayments and accrued income	—	·3	—	—
	13·2	10·8	**11·2**	10·4
	107·5	99·2	**287·1**	300·9
14. Current assets—investments				
Short term deposits	**46·5**	9·9	**25·6**	·5
15. Creditors: amounts falling due within one year:				
Debenture loans	—	3·2	—	2·1
Bank loans and overdrafts	**37·0**	46·9	**47·8**	48·5
Trade creditors	**114·8**	98·0	**97·3**	86·8
Due to group companies	—	—	**13·6**	13·8
Due to related companies	**·3**	·4	**·3**	·4
Bills of exchange	**1·4**	1·6	—	—
Corporation tax	**45·3**	37·9	**20·0**	21·6
Taxation and social security (including value added tax and other sales taxes)	**13·2**	12·2	**12·1**	12·2
Other creditors	**48·4**	38·1	**21·6**	19·7
Accruals	**15·8**	14·7	**3·3**	3·3
Proposed dividend	**21·8**	20·4	**21·8**	20·4
	298·1	272·3	**237·6**	228·7
An analysis of debenture loans is as follows:				
Secured loans:				
3¼% stock 1982	—	1·0	—	—
8½% stock 1978/82	—	·1	—	—
Unsecured loans:				
6% stock 1978/83	—	2·1	—	2·1
	—	3·2	—	2·1

Overdrafts of certain subsidiaries amounting to £0·9m at 31st December 1982 (1981 £0·7m) were secured on the assets of these subsidiaries.

	Group 1983 £m	Group 1982 £m	Parent 1983 £m	Parent 1982 £m
16. Creditors: amounts falling due after more than one year:				
Debenture loans	8·0	10·0	7·8	7·7
Due to group companies	—	—	14·5	2·5
Other creditors	3·6	3·2	—	—
	11·6	13·2	22·3	10·2
An analysis of debenture loans, repayable at par, is as follows:				
Unsecured loans:				
6¼% stock 1983/88	—	·8	—	—
7¾% stock 1988/93	5·7	5·7	5·7	5·7
8% stock 1986/91	—	1·3	—	—
6¾% convertible US dollar bonds 1993	2·1	2·0	2·1	2·0
Foreign currency	·2	·2	—	—
	8·0	10·0	7·8	7·7

Except for unsecured debenture loans creditors are wholly repayable within 5 years.

The 6¼% stock 1983/88 and the 8% stock 1986/91 outstanding at 31st March last year were repaid before maturity on 30th March 1983 at par and £105 per cent respectively as a consequence of the rationalisation plans for UK housewares retailing announced in February 1983.

	1983 £m	1982 £m
17. Share capital:		
Ordinary shares of 25p each:		
Authorised	100·0	100·0
Issued and fully paid	90·8	90·7

A profit sharing share scheme enables qualifying employees to acquire ordinary shares at market price from an existing cash bonus. At 31st March 1983 452,336 shares were held in trust for 2,814 employees.

Under a savings-related share scheme options may be granted enabling employees with over five years' service to subscribe for ordinary shares at approximately 90% of market price. At 31st March 1983 options exercisable from 1986 to 1989 at between 173p and 200p per share are outstanding in respect of 385,622 shares.

A maximum of 40m ordinary shares is available for these schemes.

Under an earlier share scheme options exercisable from 1983 to 1987 at between 171p and 224p per share are outstanding at 31st March 1983 in respect of 499,154 ordinary shares. The option holders of 201,349 of these shares have the right to exercise an alternative option under the January 1981 scheme in respect of 245,118 shares.

The convertible US dollar bonds may be converted into ordinary shares of the company at a fixed price of 216p until 1993. A full exercise of remaining conversion rights would require the issue of approximately 778,000 shares.

Details of ordinary shares allotted during the year are as follows:

	Profit sharing scheme	Option schemes	Convertible US dollar bonds	Total
Number of 25p shares allotted	182,265	140,039	96,686	418,990
	£000	£000	£000	£000
Nominal value	46	35	24	105
Share premium	352	230	215	797
Consideration	398	265	239	902

Notes relating to the accounts

18. Reserves

	Group £m				
	Share premium account	Revaluation reserve	Profit and loss account	Share of related companies	Total
At 31st March 1982	10·5	10·4	470·7	4·3	495·9
Currency adjustments	—	—	(·5)	—	(·5)
At 31st March 1982 restated	10·5	10·4	470·2	4·3	495·4
Profit retained	—	—	52·2	2·6	54·8
Goodwill arising on acquisitions	—	—	(15·2)	—	(15·2)
Currency adjustments	—	—	7·2	1·7	8·9
Transfers	—	(·5)	1·8	(1·3)	—
Issue of shares	·8	—	—	—	·8
At 31st March 1983	11·3	9·9	516·2	7·3	544·7

	Parent £m		
	Share premium account	Profit and loss account	Total
At 31st March 1982	10·5	306·6	317·1
Currency adjustments	—	2·0	2·0
At 31st March 1982 restated	10·5	308·6	319·1
Profit retained	—	26·8	26·8
Issue of shares	·8	—	·8
At 31st March 1983	11·3	335·4	348·7

19. Pensions

An actuarial valuation of Boots UK Pension Fund at 31st March 1980 showed a surplus of £35·0m which has been utilised to fund post-retirement pension increases for existing pensioners including those increases previously paid by the company. With effect from 1st April 1981, company pension contributions were increased on the advice of the actuaries which will make some provision for future pension increases. The results of the triennial valuation of the Fund at 31st March 1983 have not yet been received.

	Group		Parent	
	1983 £m	1982 £m	1983 £m	1982 £m
20. Guarantees and other financial commitments				
(a) Future capital expenditure approved by the directors and not provided for in these accounts is as follows:				
Contracts placed	**34·3**	32·5	**19·4**	17·5
Contracts not placed	**13·6**	12·0	**12·7**	9·3
	47·9	44·5	**32·1**	26·8

(b) At 31st March 1983 contingent liabilities are:

(i) Guarantees and uncalled capital relating to subsidiaries £0·9m (1982 £0·8m).

(ii) Other guarantees and contingencies arising in the normal course of business.

	Group		Parent	
	1983 £m	1982 £m	1983 £m	1982 £m
21. Deferred taxation				
The potential amounts of deferred taxation calculated at 52% not provided for in these accounts are as follows:				
Accelerated capital allowances	98·8	88·8	52·6	43·1
Capital gains taxation rolled over	10·3	7·0	·3	·2
Other items	(2·4)	(2·1)	(2·2)	(2·0)
	106·7	93·5	50·7	41·3

	1983	1982
22. Staff numbers and costs		
The average number of persons employed by the group during the year was as follows:		
Industrial Division	9,242	8,875
Retail Division	56,081	57,854
Central Functions	3,239	3,238
Total employees	68,562	69,785
	£m	£m
The aggregate payroll cost was as follows:		
Wages and salaries (including profit earning bonus of £10·3m (1982 £9·5m))	273·9	250·3
Social security costs	27·8	28·2
Other pension costs	18·1	16·6
	319·8	295·1

The 28 African employees of our South African company are paid above the Supplemented Living Level. Further information is available on request to the Secretary.

	1983 £000	1982 £000
23. Remuneration of directors and senior UK employees		
The following remuneration of directors and senior employees is included in aggregate payroll cost.		
(i) Remuneration of directors:		
Fees	38	35
Other remuneration	625	583
Payments to former directors	—	84
	663	662

(ii) The remuneration of the chairman and highest paid director was £81,000 (1982 £89,000).

(iii) An analysis of remuneration (excluding pension contributions) of directors and UK employees earning over £30,000 in the year is shown below:

				Numbers 1983	Numbers 1982
Directors:	£80,001	—	85,000	1	—
	£65,001	—	70,000	—	1
	£55,001	—	60,000	2	—
	£50,001	—	55,000	1	2
	£40,001	—	45,000	3	—
	£35,001	—	40,000	2	4
	£30,001	—	35,000	—	1
	£25,001	—	30,000	—	1
	£10,001	—	15,000	1	—
	£5,001	—	10,000	4	5
	£1	—	5,000	—	2
Employees:	£40,001	—	45,000	1	—
	£35,001	—	40,000	3	1
	£30,001	—	35,000	16	4

Notes relating to the accounts

24. Directors' shareholdings

The table below sets out the interests of the directors and their families in the share capital of the company at 31st March 1983, including those held under the company's profit sharing and option share schemes referred to in note 17 on page 21. No director holds any loan capital.

The 6% Unsecured Loan Stock 1978/83 of which Mr. R. N. Gunn held £23 stock was repaid on 30th March 1983.

	Number of shares beneficially held 1983	1982
P. T. Main	**3,629**	3,056
M. J. Verey	**7,300**	7,300
R. N. Gunn	**3,303**	2,730
H. J. Hann	**5,000**	3,400
K. Ackroyd	**2,223**	1,650
E. E. Cliffe	**4,093**	3,520
P. H. Courtney	**2,000**	—
G. M. Hourston	**2,303**	1,730
A. B. Marshall	**1,000**	1,000
The Rt. Hon. Sally Oppenheim	**500**	—
D. A. G. Sarre	**1,000**	1,000
Sir Bernard Scott	**2,000**	2,000
G. R. Solway	**3,775**	3,702
B. H. C. Theobald	**1,679**	1,106

Directors' holdings at 25th May 1983 are unchanged.

Auditors' report

to the members of The Boots Company PLC

We have audited the accounts on pages 12 to 27 in accordance with approved Auditing Standards.

In our opinion the accounts set out on pages 12 to 25 which have been prepared on the basis of the accounting policies set out on pages 15 and 16, give a true and fair view of the state of affairs of the company and of the group at 31st March 1983 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Acts 1948 to 1981.

In our opinion the abridged supplementary current cost statements set out on pages 26 and 27 have been properly prepared, in accordance with the accounting policies and methods set out on page 27, to give the information required by Statement of Standard Accounting Practice No. 16.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Birmingham

25th May 1983

Principal companies

		Percentage held by parent	Percentage held by subsidiaries	Principal activities
	Parent			
	The Boots Company PLC			Manufacturing, marketing and distribution of pharmaceuticals and consumer products
	Subsidiaries (incorporated in Great Britain)			
	Boots The Chemists Ltd.	100		Retail chemists
	Boots Pure Drug Co. Ltd.	100		Management company
	Boots International Ltd.	100		Management company
	Timothy Whites PLC	100		Property holding
	Whites Property Co. Ltd.		100	Property holding
	Crookes Products Ltd.	100		Marketing consumer products
	Optrex Ltd.	100		Marketing consumer products
	Subsidiaries (incorporated overseas)			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Australia	The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and marketing
Belgium	The Boots Company (Belgium) S.A.		100	Marketing
Canada	Boots Drug Stores (Holdings) Ltd.		100	Retail chemists
France	Laboratoires Boots-Dacour S.A.	92·6		Manufacturing and marketing
	Beauté Hygiène et Soins, S.A.	100		Retailing of cosmetics and toiletries
Holland	The Boots Company (Holland) B.V.	100		Marketing
India	The Boots Company (India) Ltd.	53		Manufacturing and marketing
Ireland	The Boots Company (Ireland) Ltd.	100		Marketing
Italy	Boots-Formenti S.p.A.	55		Marketing
Kenya	The Boots Company (Kenya) Ltd.		100	Manufacturing and marketing
Malaysia	Optrex (Malaya) Sdn. Berhad		100	Marketing
New Zealand	Boots The Chemists (New Zealand) Ltd.	100		Retail chemists and marketing
Pakistan	The Boots Company (Pakistan) Ltd.	56·5		Manufacturing and marketing
Philippines	The Boots Company (Philippines) Inc.	100		Marketing
Singapore	The Boots Company (Far East) Pte. Ltd.	100		Marketing
South Africa	The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and marketing
Spain	Laboratorios Liade S.A.	100		Manufacturing and marketing
Tanzania	K.O.C. (Tanzania) Ltd.		100	Manufacturing and marketing consumer products
Thailand	The Boots Company (Thailand) Ltd.	100		Marketing
	The Boots Manufacturing Co. (Thailand) Ltd.	100		Manufacturing
USA	Boots Pharmaceuticals Inc.		100	Manufacturing and marketing pharmaceuticals
	Boots Laboratories Inc.		100	Manufacturing pharmaceuticals
West Germany	Technochemie GmbH Verfahrenstechnik	100		Manufacturing speciality chemicals
Zimbabwe	The Boots Company (Zimbabwe) (Pte.) Ltd.	100		Marketing

All the above shares held by are ordinary shares. In addition the group owns 30·4% of the preferred shares in Boots Drug Stores (Canada) Ltd., and 100% of the preferred shares in Boots Drug Stores (Western) Ltd., subsidiaries of Boots Drug Stores (Holdings) Ltd.

		Issued share capital	Percentage held	Principal activities
	Related companies			
Great Britain	FBC Holdings Ltd.	3,000 ordinary shares of £1 fully paid	50	Manufacturing, wholesaling and retailing of agrochemicals worldwide
Malaysia	Raza Manufacturing S.B.	1,100,000 Malaysian dollars fully paid	49	Manufacturing pharmaceuticals
	Cosmeceutics S.B.	550,000 Malaysian dollars fully paid	30	Manufacturing cosmetics and toiletries
Nigeria	The Boots Company (Nigeria) Ltd.	6,000,000 ordinary shares of 50 kobo fully paid	40	Manufacturing and marketing

Unless otherwise indicated all the companies operate principally in the country of incorporation.

Current cost statements

31st March 1983

	Notes	1983 £m	1983 £m	1982 £m	1982 £m
Group profit and loss account					
Turnover			**1670·0**		1487·4
Trading profit on historical cost basis			**141·3**		119·2
Current cost adjustments:					
Depreciation and net surplus on disposal of fixed assets		**(32·9)**		(31·1)	
Cost of sales		**(12·4)**		(14·2)	
Monetary working capital		**5·6**		10·0	
Related companies		**(3·7)**		(3·9)	
			(43·2)		(39·2)
Trading profit			**98·1**		80·0
Gearing adjustment			**1·2**		·7
Interest receivable			**3·7**		3·8
Interest payable			**(4·9)**		(2·8)
Profit on ordinary activities before taxation			**96·1**		81·7
Taxation on profit on ordinary activities			**(46·9)**		(30·9)
			51·2		50·8
Attributable to minority interests		**(·4)**		(·5)	
Extraordinary loss net of taxation benefit		**(5·6)**		(2·6)	
			(6·0)		(3·1)
Profit for the financial year attributable to shareholders			**45·2**		47·7
Dividends			**(34·5)**		(30·8)
Profit retained, dealt with in general reserve			**10·7**		16·9
Earnings per share before taxation			**26·7p**		22·3p
Earnings per share after taxation			**14·0p**		13·9p
Group balance sheet					
Capital and reserves:					
Called up share capital			**90·6**		90·7
Current cost reserve	2		**563·5**		580·4
General reserve			**361·9**		377·2
			1056·2		1048·3
Minority interests			**3·2**		2·4
			1059·4		1050·7
Fixed assets					
Tangible assets	3		**632·6**		841·4
Investments			**66·1**		68·9
Stocks			**309·7**		313·3
Monetary working capital			**(96·6)**		(123·1)
Other net current liabilities			**(40·6)**		(36·6)
Creditors: amounts falling due after more than one year			**(11·6)**		(13·2)
			1059·4		1050·7

Notes relating to current cost statements

1. Accounting policies
Accounting policies used in the current cost statements are unchanged from those steted on pages 15 and 16 except as set out below.

Depreciation and surplus on dispoeal of fixed assets
Tha adjustment represents the additional charge ageinst profits es a result of depreciating and recalculating surplus on disposal of fixed assets on estimeted current cost rather than on historical cost. It has been celculated using the appropriate retail and industriel indices, prepared by the Central Statistical Office. Asset lives have not been reassessed.

Cost of sales
The adjustment represents the difference between the historical manufacturing or purchase cost and the estimated current cost of goods at the date of sale as derivad from tha group's coatlng systems.

Monetary working capital
The adjustment allows for the effect of price changes on the monetary working capital needed to support operating capability. Monetary working capital is negative and comprises creditora lesa the aggregate of debtora and cash floats.

Gearing adjuetment
This reduces the depreciation, cost of sales and monetary working capital adjustments by the proportion of finance provided other than aa shareholders' funds calculated on a current coat basis.

Valuation of assets
Land has been revalued by the directors with assistance from the compeny's internal qualified valuers. Other fixed assets and stock have been revalued using the same methods as for depreciation and cost of sales adjustmenta. Investment in FBC Holdings Ltd. hes been velued et 50% of current cost of net aasats. Other investments are stated at directors' valuation.

Overseas companlee
Overseas subsidiaries have generally calculated their adjustments using local indicas or information available from their own costing systems.

2. Current cost reserve

	£m	£m
At 31st March 1982		580·4
Revaluation surpluses:		
Property	(25·1)	
Fixtures and plant	16·7	
Investments	7·2	
Stocks	11·3	
		10·1
Monetary working capital		(5·8)
Gearing adjustment		(1·2)
At 31st March 1983		583·5

3. Tangible fixed assets

	Property £m	Fixtures and plant £m	Total £m
At 31st March 1983:			
Current cost	728·4	555·6	1284·0
Depreciation	157·5	293·9	451·4
Net current cost value	570·9	261·7	832·6
At 31st March 1982	594·0	247·4	841·4

4. Comparative figures
Comparative figures have not been adjusted to e common price basis.

Group financial record

	1983		1982		1981		1980		1979	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Turnover (note 1)										
Industrial Division:										
UK and exports	**188·3**		194·6		204·4		198·6		178·0	
Overseas	**126·4**		86·3		74·3		65·7		60·2	
Intra-divisional	**(22·0)**		(17·9)		(14·5)		(16·1)		(13·2)	
		292·7		263·0		264·2		248·2		222·0
Retail Division:										
UK	**1351·1**		1237·3		1134·7		980·5		858·5	
Overseas	**127·8**		98·7		74·6		63·0		48·5	
		1478·9		1336·0		1209·3		1043·5		907·0
Inter-divisional		**(101·6)**		(111·6)		(99·7)		(89·6)		(76·0)
Total		**1670·0**		1487·4		1373·8		1202·1		1053·0
Profits										
Industrial Division:										
UK and exports	**39·5**		38·9		33·9		34·0		30·2	
Overseas	**14·9**		7·9		7·6		8·0		11·0	
Share of profit of related companies	**3·5**		2·6		·9		·9		—	
		57·9		49·4		42·4		42·9		41·2
Retail Division:										
UK	**73·1**		65·9		79·6		73·4		69·1	
Surplus on disposal of properties	**14·5**		9·2		3·0		5·5		3·8	
Overseas	**(3·0)**		(2·1)		(2·4)		(3·2)		(1·8)	
		84·6		73·0		80·2		75·7		71·1
Net interest and unallocated items		**(2·4)**		(2·2)		(·1)		4·1		3·0
Profit on ordinary activities before taxation (note 2)		**140·1**		120·2		122·5		122·7		115·3
Taxation		**(46·9)**		(30·9)		(44·8)		(39·9)		(35·6)
Profit on ordinary activities after taxation		**93·2**		89·3		77·7		82·8		79·7
Minority interests/extraordinary items		**(3·9)**		(3·1)		(·4)		2·2		(·8)
Dividends		**(34·5)**		(30·8)		(27·2)		(25·4)		(21·4)
Funds retained										
Profit retained	**54·8**		55·4		50·1		59·6		57·5	
Depreciation	**27·7**		23·2		19·7		17·3		13·3	
		82·5		78·6		69·8		76·9		70·8
Capital expenditure										
Industrial Division	**22·3**		24·7		18·1		15·5		20·0	
Retail Division	**35·7**		58·2		48·7		46·3		36·2	
		58·0		82·9		66·8		61·8		56·2
Net assets										
Tangible fixed assets		**431·9**		397·6		340·6		306·3		266·2
Investments		**49·3**		53·0		50·9		18·1		17·8
Net current assets		**168·4**		150·6		145·8		168·6		171·3
Other creditors		**(11·6)**		(13·2)		(12·9)		(16·4)		(42·8)
		638·0		588·0		524·4		476·6		412·5
Other statistics										
Earnings per share before taxation		**38·2p**		32·8p		33·6p		33·9p		32·1p
Earnings per share after taxation		**25·5p**		24·5p		21·4p		22·9p		22·2p
Dividend per share		**9·5p**		8·5p		7·5p		7·0p		6·0p
Dividend cover		**2·6**		2·8		2·8		3·3		3·7
Profit on ordinary activities before taxation as % of net assets (note 3)		**22·0**		20·4		23·4		25·7		28·0
Profit on ordinary activities after taxation as % of net assets (note 3)		**14·6**		15·2		14·8		17·4		19·3

Notes

1. 1983 Industrial Division UK turnover excludes £21m from lines previously bought in for the Retail Division. Profit is not significantly affected by this change.
2. Gains and losses arising from the translation of overseas net current assets are now dealt with through reserves. Profits before taxation have been retrospectively amended.
3. The book value of the group's property which amounts to 35% of net assets is, in the opinion of the directors, substantially below its current value (see page 10).

FILMED

JUN 1983

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